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Rating Action: Moody's affirms Florida International University's Aa3; outlook stable

14 Jun 2018

New York, June 14, 2018 -- Moody's Investors Service has affirmed Florida International University's Aa3 ratings on its outstanding dormitory and parking bonds. The outlook is stable.

RATINGS RATIONALE

The Aa3 rating incorporates expectations of FIU's ongoing sound student demand as a large and growing comprehensive public university in demographically vibrant greater Miami (Aa2 stable). Credit quality is enhanced by healthy financial reserves and manageable financial leverage, with sound pledged revenue coverage of debt service. Challenges include thin operating margins, impacted by the State of Florida's (Aa1 stable) cap on student charges and high reliance on potentially volatile state funding. While total revenue and cash and investment growth trends are favorable, financial reserves are weaker than peers relative to FIU's large operating scale. The ratings also incorporate the narrow revenue pledges for the housing and parking bonds.

RATING OUTLOOK

The stable outlook reflects expectations that operations will remain generally balanced and that auxiliary systems will remain profitable with adequate debt service coverage from pledged revenues. The outlook is also predicated on stable to growing state operating support and sound student demand.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Material growth in financial reserves
- Increased liquidity and strengthened operating performance

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Sustained weakening of debt service coverage from pledged revenues
- Decline in unrestricted liquidity
- Weakening of operating performance, particularly if accompanied by material increase in debt

LEGAL SECURITY

Housing facility revenue bonds are secured by and payable from pledged revenues of the Housing System, which includes all fees, rentals or other charges and income from the Housing System facilities, net of Current and Administrative Expenses. Pledged revenue debt service coverage was 1.8x for fiscal 2017.

Parking system bonds are secured by and payable from the pledged revenues of the Parking System, which are the net revenues of the Parking System, including mandatory student parking and transportation access fees, a flat fee assessed to all students at the Modesto Maidique, Biscayne Bay, and Engineering Center campuses. Debt service coverage (and MADS coverage) from pledged revenues is 1.5x including a BAB federal subsidy, or 1.4x without the subsidy.

PROFILE

Florida International University is a comprehensive public research university located in Greater Miami, Florida. FIU's main campus is located in west Miami-Dade County (Aa2 stable), with additional locations throughout the area. The university enrolled 57,000 headcount students in fall 2017 and generated operating revenue of \$860 million in fiscal 2017.

METHODOLOGY

The principal methodology used in these ratings was Higher Education published in December 2017. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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